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FROM: Kika de la Garza

Washington D C

SOUTH TEXAS' FRIEND -- and now Majority Leader of the House -- Fort Worth's Jim Wright wrote such a good newsletter on the Tax Bill I wanted you to read it. So, for this week we have a guest columnist:

"PAYING taxes is never fun for anyone -- except perhaps a confirmed masochist. For most taxpayers the burden is compounded by the obtuseness of the dad-blamed forms!

"The House voted last month to do something about this aggravation -- not enough, perhaps, but at least a welcome start. It approved a bill to increase the standard deduction and eliminate a lot of annoying arithmetic for the average taxpayer.

"If the Senate agrees, at least three-fourths of all taxpayers, beginning next year, will be able to make one simple entry only -- and save money in the process. Even the remaining one-fourth will have their arithmetical chores reduced.

"The bill also would continue last year's individual and corporate tax reductions and provide a \$50-per-person refund on 1976 income taxes. In addition, it provides a 40 percent new jobs tax credit to stimulate employment in the private sector, especially for small businesses.

"HERE is how the treatment on standard deductions would change under the new law, when enacted:

-- The present standard deduction is 16 percent (but not less than \$2,100 nor more than \$2,800 for married taxpayers filing joint returns, and not less than \$1,700 nor more than \$2,400 for single taxpayers). Its purpose is to provide tax relief for the normal amounts paid out for charitable contributions, local and state taxes, medical expenses and interest. But it's complicated. Right?

-- Under the new law there would be a flat figure of \$2,400 for single taxpayers and \$3,000 for married couples filing jointly. This deduction would be incorporated directly into the tax tables prepared by the government. The taxpayer wouldn't have to calculate it.

"Let's take the case of a family of four with an annual income of \$15,000. Here is a comparison of the computations involved under the present law and under the proposed new law:

<u>Present Law</u>		<u>Proposed New Law</u>	
1. Adjusted gross income	\$15,000	1. Adjusted gross income	\$15,000
2. Determine standard deduction (16% with limits as stated above)	<u>2,400</u>	2. Look up tax from new tax table	1,420
3. Difference (line 1 less line 2)	12,600		
4. Multiply number of exemptions by \$750	<u>3,000</u>		
5. Subtract line 4 from line 3	9,600		
6. Look up tax in table	1,727		
7. Compute general tax credit (greater of \$35 times number of exemptions; or 2% of line 5 but not more than \$180)	<u>180</u>		
8. Subtract line 7 from line 6 to get tax after credit	\$ 1,547		

"AS YOU can see, six operations have been dropped from the taxpayer's calculations. All would be included automatically in the new tax table. One look and the job would be done. And everyone making less than \$17,000 a year will save money -- in the case above, \$127.

"This idea is being pushed by President Carter personally. He promised to simplify things and is trying hard to make good the promise. It won't make income tax forms an experience in joy. It will make them less confusing. And that's worth something.

"IN THE same bill, the House has provided further stimulus for the nation's sluggish recovery from recession.

"With more than 20 percent of the nation's productive capacity lying idle and unemployment hovering near eight percent, the House voted to extend last year's tax cuts for another year, and to provide a \$50-per-person rebate to taxpayers and their dependents.

"The rebates, which were requested by President Carter as part of his economic stimulus package, would be paid out in May and June of this year. They would go to every taxpayer and every dependent in families earning below \$30,000 annually.

"The \$50 rebate is probably the most controversial part of the bill. Some feel it won't really help the economy as much as its sponsors expect. Some of it will pay bills -- including high fuel bills from the winter. Some may find its way into savings accounts. And some of it -- probably most of it -- will spur new purchases. In all, it is expected to put about another \$10 billion into circulation before this fiscal year ends October 1.

"THE MOST innovative feature of the new tax bill is one designed to encourage employers -- particularly, small businesses -- to put more people to work. It is called the new jobs tax credit.

"This feature is designed to provide direct help to the problem of high unemployment. It will encourage private business expansion by giving businesses that want to take on additional workers an income tax credit amounting to 40 percent of the first \$4,200 paid out to new employees. And it is limited -- no more than 24 per employer.

"This means that if a local foundry adds a worker who is paid \$6,000 a year, the firm would be able to deduct \$1,680 from its tax bill next year, reducing its cost for that new employee to \$4,320.

"Put it another way: A company that is considering adding three employees to its work force at \$6,700 each, could hire four at no additional cost to itself.

"That difference should help many firms, especially small businesses, to hire workers who otherwise would remain unemployed. The result can be stepped-up production and a greater market for all consumer goods.

"Let's look briefly at the costs of this program, and the calculable returns to the economy -- and to the government itself.

"This seems to be the cheapest way possible to get Americans back to work. Most of the cost will be borne by private business. The bill authorized federal help at a maximum of \$1,680 per job. This is quite considerably less expensive than approximately \$8,000 for each job in direct public employment. And public works employment, of course, for all its beneficial results is even more costly since much of that money goes for materials and equipment.

"The \$2 billion anticipated in the tax bill for revenue loss due to new employment tax credits will accommodate approximately 1.3 million new jobs in private industry. To the extent that most of the people employed are taken from the ranks of presently unemployed, this could reduce the unemployment rate by a full percentage point.

"And, if only half those put to work in private industry are taken off the unemployment compensation roles -- where each jobless worker currently is costing the government about \$4,000 a year -- this program would pay for itself and yield a net saving to the government in reduced unemployment payments alone.

"When we contemplate further that the average person thus engaged in private employment will pay at least \$1,000 annually in income taxes, we face the genuine likelihood that this program will be a winner not only for the economy but for the federal treasury itself.

"Moreover, every job thus created has the very real prospect of being lasting employment. Private business isn't going to take on new workers for an expanded effort -- even under these circumstances -- unless it believes there is a realistic chance that the expansion will pay off in future business. Every worker employed in a sound private operation will be producing goods or services for sale from which profits can be realized and the employment justified on a continuing basis.

"If we are to lift the economy out of the doldrums of recession, private business has the major role to play. This type of imaginative encouragement by government should be conducive to the long-range recovery.

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VISITORS FROM HOME: Visiting my office from home this week were Mrs C M and Beth Galindo Jr, and Mrs William P and Tica Riddick, all of Alice.

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